

Table 5

Risk Indicators for the
Bell Regional Holding Companies
1994 versus 1990

January 1994

	<u>Safety Rating</u>	<u>Beta</u>	<u>Financial Strength</u>	<u>% Non- Utility Revenue</u>	<u>Equity Ratio</u>
Ameritech	1	0.75	A+	20	61.5%
Bell Atlantic	2*	0.90	A+	26	52.0
Bell South	1	0.80	A+	26	65.0
NYNEX	1	0.80	A+	18	65.0
Pacific Telesis	1	0.90	A+	22	56.5
Southwestern Bell	1	0.90	A+	18	56.0
U.S. West	<u>1</u>	<u>0.85</u>	<u>A+</u>	<u>6</u>	<u>49.5</u>
Average	1.1	0.84	A+	19.4%	56.9%

January 1990

Ameritech	1	0.90	A+	15	61.5%
Bell Atlantic	1	0.85	A+	22	58.5
Bell South	1	1.00	A+	23	65.0
NYNEX	1	0.90	A+	18	60.5
Pacific Telesis	1	0.90	A+	17	59.0
Southwestern Bell	1	0.95	A+	18	63.5
U.S. West	<u>1</u>	<u>0.95</u>	<u>A+</u>	<u>9</u>	<u>52.5</u>
Average	1.0	0.92	A+	17.4%	60.1%

* This downgrade from "1" to "2" appears to be related to the Bell Atlantic/TCI merger which was subsequently cancelled. In Value Line's previous report of October 1993 Bell Atlantic was rated "1" for Safety.

Source: Value Line Investment Survey, January 14, 1994; January 19, 1990.
Percent Non-utility revenue for BellSouth is from 1992 Annual Report.

Table 6

Bond Ratings Comparison
for the Bell LECs, 1990 versus 1994*

		<u>1990</u>	<u>1994</u>
(1)	Illinois Bell	Aaa	Aaa
(2)	Indiana Bell	Aaa	Aaa
(3)	Michigan Bell	Aa1	Aa1
(4)	Ohio Bell	Aaa	Aaa
(5)	Wisconsin Bell	Aaa	Aaa
(6)	New Jersey Bell	Aaa	Aaa
(7)	Bell of PA	Aa1	Aa1
(8)	Diamond State	Aaa	Aaa
(9)	C&P MD	Aa3	Aa3
(10)	C&P VA	Aaa	Aaa
(11)	C&P D.C.	Aa3	A1
(12)	C&P WVA	Aa3	Aa3
(13)	Southern Bell	Aaa	Aaa
(14)	South Central Bell	Aaa	Aaa
(15)	New York Telephone	A1	A1
(16)	New England Tel.	Aa1	Aa2
(17)	Pacific Tel.	Aa3	Aa3
(18)	Nevada Bell	NA	NA
(19)	Southwestern Bell	Aa3	A1
(20)	Mountain States	Aa3	Aa3
(21)	Northwestern Bell	Aa3	Aa3
(22)	Pacific Northwest Bell	Aa3	Aa3

*Ratings are the highest indicated for a company's senior debt.

Source: Moody's Bond Record, March 1990 and March 1994 issues.

TABLE 7

Average BOC Capital Structure and Debt Cost, 1992
(\$000)

Company	DEBT			Total Interest On Debt	Cost of Debt	EQUITY			Total Capital	Debt Ratio	Equity Ratio
	Beg. Bal.	Debt End. Bal.	Average			Beg. Bal.	Equity End. Bal.	Average			
	a	b	c	d	e	f	g	h	i	j	k
Illinois	1,626,900	1,607,300	1,617,100	114,200	0.07062	2,289,500	1,819,300	2,054,400	3,671,500	0.440447	0.559553
Indiana	460,100	392,900	426,500	34,500	0.08089	911,200	804,800	858,000	1,284,500	0.332036	0.667964
Michigan	1,506,600	1,506,700	1,506,650	109,600	0.07274	2,088,800	1,743,000	1,915,900	3,422,550	0.440213	0.559787
Ohio	619,500	946,300	782,900	66,100	0.08443	1,551,200	1,226,800	1,389,000	2,171,900	0.360468	0.639532
Wisconsin	549,000	540,700	544,850	42,000	0.07709	823,200	663,500	743,350	1,288,200	0.422955	0.577045
New Jersey	1,398,200	1,391,300	1,394,750	117,800	0.08446	2,033,300	2,120,600	2,076,950	3,471,700	0.401748	0.598252
Bell of PA	1,847,900	1,786,500	1,817,200	145,400	0.08001	2,062,200	2,117,700	2,089,950	3,907,150	0.465096	0.534904
Diamond State	106,728	99,285	103,007	8,542	0.08293	158,687	171,215	164,951	267,958	0.384414	0.615586
C&P - Maryland	1,133,026	1,120,319	1,126,673	90,607	0.08042	1,227,591	1,282,413	1,255,002	2,381,675	0.473059	0.526941
C&P - Virginia	1,057,806	971,956	1,014,881	79,542	0.07838	1,239,000	1,305,560	1,272,280	2,287,161	0.443730	0.556270
C&P - DC	271,689	241,328	256,509	21,305	0.08306	287,202	291,308	289,255	545,764	0.469999	0.530001
C&P - W. Virginia	297,390	286,888	292,139	22,384	0.07662	384,014	393,908	388,961	681,100	0.428922	0.571078
BellSouth	7,255,100	7,282,900	7,269,000	583,300	0.08024	11,422,500	11,382,700	11,402,600	18,671,600	0.389308	0.610692
New York	4,350,600	4,245,700	4,298,150	362,900	0.08443	5,658,600	5,915,500	5,787,050	10,085,200	0.426184	0.573816
New England	2,408,100	2,385,400	2,396,750	189,700	0.07915	3,186,700	3,351,100	3,268,900	5,665,650	0.423032	0.576968
Pacific	4,991,000	5,213,000	5,102,000	460,000	0.09016	7,217,000	7,291,000	7,254,000	12,356,000	0.412917	0.587083
Nevada	81,785	90,608	86,197	6,690	0.07761	120,954	117,417	119,186	205,382	0.419689	0.580311
Southwestern Bell	7,274,700	6,995,400	7,135,050	530,000	0.07428	8,859,200	9,304,300	9,081,750	16,216,800	0.439979	0.560021
US West	5,170,000	4,999,500	5,084,750	401,500	0.07896	7,837,200	6,456,900	7,147,050	12,231,800	0.415699	0.584301
Total	42,406,124	42,103,984	42,255,054	3,386,070	0.08013	59,358,048	57,759,021	58,558,535	100,813,589	0.419140	0.580860

Source: Moody's 1993 Public Utility Manual.

Nevada Bell data per 1992 ARMIS 43-02 Report.

Table 8
Capital Structures of the
Bell Regional Holding Companies
December 31, 1993
(million \$)

	<u>Short-Term Debt</u>	<u>Long-Term Debt</u>	<u>Common Equity</u>	<u>Total Capital</u>
Ameritech	\$2,601.6 17.9%	\$4,090.4 28.1%	\$7,844.6 54.0%	\$14,536.6 100%
Bell Atlantic	\$2,677.3 14.8%	\$7,206.2 39.8%	\$8,224.4 45.4%	\$18,107.9 100%
BellSouth	\$1,838.6 8.1%	\$7,380.7 32.5%	\$13,494.2 59.4%	\$22,713.5 100%
NYNEX	\$3,190.1 17.2%	\$6,937.8 37.4%	\$8,415.5 45.4%	\$18,543.4 100%
Pacific Telesis	\$595.0 4.4%	\$5,207.0 38.3%	\$7,786.0 57.3%	\$13,588 100%
Southwestern Bell	\$1,385.7 9.6%	\$5,459.4 37.8%	\$7,608.6 52.6%	\$14,453.7 100%
US West	\$1,776.2 <u>13.6%</u>	\$5,422.7 <u>41.5%</u>	\$5,861.2 <u>44.9%</u>	\$13,060.1 <u>100%</u>
Average	12.2%	36.5%	51.3%	100.0%

Source: Company Annual Reports for 1993.

Table 9
Calculation of Overall
Rate of Return

Recommended Return (Provisional)

<u>Capital Type</u>	<u>% of Total(2)</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Common Equity	51.3%	11.0%	5.64%
Debt	<u>48.7%</u>	<u>8.0%(1)</u>	<u>3.90</u>
Total	100%	--	9.54%

Return Including FCC Adders (Provisional)

<u>Capital Type</u>	<u>% of Total(2)</u>	<u>Cost Rate</u>	<u>Weighted Cost</u>
Common Equity	51.3%	12.0%(3)	6.16%
Debt	<u>48.7%</u>	<u>8.0%(1)</u>	<u>3.90</u>
Total	100%	--	10.06%

- (1) Cost of debt is provisionally based upon 1992 data. See Table 7.
 (2) Capital structure is based on the seven BRHCs at December 31, 1993.
 (3) Based upon DCF analysis plus the FCC adders to the DCF results in CC Docket No. 89-624.

APPENDIX A

APPENDIX A

COST OF CAPITAL AND OTHER
FINANCIAL TESTIMONY OF
MATTHEW I. KAHAL

	<u>Docket/Date</u>	<u>Utility</u>	<u>Jurisdiction</u>	<u>Client</u>
(1)	RID 1819 April 1982	Pennsylvania Bell	Pennsylvania	Office of Consumer Advocate
(2)	82-0152 July 1982	Illinois Power	Illinois	U.S. Department of Justice
(3)	820150-EU September 1982	Gulf Power Company	Florida	Federal Executive Agencies
(4)	82-057-15 January 1983	Mountain Fuel Supply Company	Utah	Federal Executive Agencies
(5)	5200 August 1983	Texas Electric Service Company	Texas	FEA & Texas Wholesale Customers
(6)	28069 August 1983	Oklahoma Natural Gas Company	Oklahoma	Federal Executive Agencies
(7)	83-0537 February 1984	Commonwealth Edison Company	Illinois	U.S. Department of Energy
(8)	84-035-01 June 1984	Utah Power & Light Company	Utah	Federal Executive Agencies
(9)	U-1009-137 July 1984	Utah Power & Light Company	Idaho	U.S. Department of Energy
(10)	R-842590 August 1984	Philadelphia Electric Company	Pennsylvania	Office of Consumer Advocate
(11)	840086-EI August 1984	Gulf Power Company	Florida	Federal Executive Agencies
(12)	84-122-E August 1984	Carolina Power & Light Company	South Carolina	Consumer Advocate
(13)	R-842710 January 1985	ALLTEL Pennsylvania	Pennsylvania	Office of Consumer Advocate
(14)	ER-504 February 1985	Allegheny Generating Company	FERC	Office of Consumer Advocate

	<u>Docket/Date</u>	<u>Utility</u>	<u>Jurisdiction</u>	<u>Client</u>
(15)	R-842632 March 1985	West Penn Power Company	Pennsylvania	Office of Consumer Advocate
(16)	83-0537 and 84-0555 April 1985	Commonwealth Edison Company	Illinois	U.S. Department of Energy
(17)	Rulemaking Docket No. 11 May 1985	Generic	Delaware	Delaware Commission Staff
(18)	29450 July 1985	Oklahoma Gas & Electric Company	Oklahoma	Oklahoma Attorney General
(19)	1811 August 1985	Bristol County Water Company	Rhode Island	Division of Public Utilities
(20)	R-850044 & R-850045 August 1985	Quaker State & Continental Telephone Companies	Pennsylvania	Office of Consumer Advocate
(21)	R-850174 November 1985	Philadelphia Suburban Water Company	Pennsylvania	Office of Consumer Advocate
(22)	EL-86-37 & EL-86-38 September 1986	Allegheny Generating Company	FERC	Pa. Office of Consumer Advocate
(23)	R-850287 June 1986	National Fuel Gas Distribution Corp.	Pennsylvania	Office of Consumer Advocate
(24)	1849 August 1986	Blackstone Valley Electric	Rhode Island	Division of Public Utilities
(25)	86-297-GA-AIR November 1986	East Ohio Gas Company	Ohio	Ohio Consumers' Counsel
(26)	U-16945 December 1986	Louisiana Power & Light Company	Louisiana	Public Service Commission
(27)	EL86-58 & 59 March 1987	System Energy Resources and Middle South Services	FERC	Louisiana PSC
(28)	ER87-72-001 April 1987	Orange & Rockland	FERC	Pa. Office of Consumer Advocate
(29)	86-2025-EL-AIR June 1987	Cleveland Electric Illuminating Company	Ohio	Ohio Consumers' Counsel

	<u>Docket/Date</u>	<u>Utility</u>	<u>Jurisdiction</u>	<u>Client</u>
(30)	86-2026-EL-AIR June 1987	Toledo Edison Company	Ohio	Ohio Consumers' Counsel
(31)	1872 July 1987	Newport Electric Company	Rhode Island	Commission Staff
(32)	WO 8606654 July 1987	Atlantic City Sewerage Company	New Jersey	Resorts Inter- national
(33)	7510 August 1987	West Texas Utilities Company	Texas	Federal Executive Agencies
(34)	RP-87-103 January 1988	Panhandle Eastern Pipe Line Company	FERC	Indiana Utility Consumer Counselor
(35)	87-0427 February 1988	Commonwealth Edison Company	Illinois	Federal Executive Agencies
(36)	870840 February 1988	Philadelphia Suburban Water Company	Pennsylvania	Pennsylvania Office of Consumer Advocate
(37)	870832 March 1988	Columbia Gas of Pennsylvania	Pennsylvania	Pennsylvania Office of Consumer Advocate
(38)	10105 August 1988	South Central Bell	Kentucky	Attorney General
(39)	U-17906 September 1988	Louisiana Power & Light Company	Louisiana	Commission Staff
(40)	1914 November 1988	Providence Gas Company	Rhode Island	Commission Staff
(41)	RP88-209 February 1989	Natural Gas Pipeline Co. of America	FERC	Indiana Utility Consumer Counselor
(42)	8425 March 1989	Houston Lighting & Power Company	Texas	U.S. Department of Energy
(43)	April 1989	Central Illinois Public Service Company	FERC	Soyland Power Cooperative, Inc.
(44)	89-0033 May 1989	Illinois Bell Telephone Company	Illinois	Citizens Utility Board
(45)	891208 May 1989	Pennsylvania American Water Company	Pennsylvania	Office of Consumer Advocate

	<u>Docket/Date</u>	<u>Utility</u>	<u>Jurisdiction</u>	<u>Client</u>
(46)	881167-EI May 1989	Gulf Power Company	Florida	Federal Executive Agencies
(47)	37414-S2 October 1989	Public Service Company of Indiana	Indiana	Indiana Utility Consumer Counselor
(48)	38728 November 1989	Indiana Michigan Power Company	Indiana	Indiana Utility Consumer Counselor
(49)	RP89-49-00 December 1989	National Fuel Gas Supply Corporation	FERC	Pennsylvania Office of Consumer Counselor
(50)	R89-1364 December 1989	Philadelphia Electric Company	Pennsylvania	Pennsylvania Office of of Consumer Advocate
(51)	RP89-160-000 January 1990	Trunkline Gas Company	FERC	Indiana Utility Consumer Counselor
(52)	EL90-16-000 November 1990	System Energy Resources, Inc.	FERC	Louisiana Public Service Commission
(53)	89-624 March 1990	Bell Atlantic	FCC	Pennsylvania Office of Consumer Advocate
(54)	38868 March 1990	Indianapolis Water Company	Indiana	Indiana Utility Consumer Counselor
(55)	1946 March 1990	Blackstone Valley Electric Company	Rhode Island	Division of Public Utilities
(56)	R-901670 July 1990	National Fuel Gas Distribution Corp.	Pennsylvania	Pennsylvania Office of Consumer Advocate
(57)	ER-891109125 July 1990	Jersey Central Power & Light Company	New Jersey	Rate Counsel
(58)	EL90-45-000 October 1990	Entergy Service, Inc.	FERC	Louisiana PSC
(59)	90-256 January 1991	South Central Bell Telephone Company	Kentucky	Attorney General
(60)	GR90080786J January 1991	New Jersey Natural Gas Company	New Jersey	Rate Counsel
(61)	U-17949-A February 1991	South Central Bell Telephone Company	Louisiana	Commission Staff
(62)	ER-900910905 April 1991	Atlantic City Electric Company	New Jersey	Rate Counsel

	<u>Docket/Date</u>	<u>Utility</u>	<u>Jurisdiction</u>	<u>Client</u>
(63)	Cause No. 39128 May 1991	Indianapolis Water Company	Indiana	Indiana Utility Consumer Counselor
(64)	GR90121301J May 1991	Elizabethtown Gas Company	New Jersey	Rate Counsel
(65)	91-5032 & 5055 August 1991	Nevada Power Co.	Nevada	U.S. Dept. of Energy
(66)	Cause No. 000662 September 1991	Southwestern Bell Telephone Co.	Oklahoma	Attorney General
(67)	U-19236 October 1991	Arkansas Louisiana Gas Company	Louisiana	Commission Staff
(68)	U-19237 December 1991	Louisiana Gas Service Company	Louisiana	Commission Staff
(69)	ER91030356J October 1991	Rockland Electric Company	New Jersey	Rate Counsel
(70)	GR91071243J February 1992	South Jersey Gas Company	New Jersey	Rate Counsel
(71)	GR91081393J March 1992	New Jersey Natural Gas Company	New Jersey	Rate Counsel
(72)	R-912164 April 1992	Equitable Gas Company	Pennsylvania	Office of Consumer Advocate
(73)	ER-91111698J May 1992	Public Service Electric & Gas Company	New Jersey	Rate Counsel
(74)	U-19631 June 1992	Trans Louisiana Gas Company	Louisiana	Commission Staff
(75)	ER91121820J July 1992	Jersey Central Power & Light Company	New Jersey	Rate Counsel
(76)	R-00922314 August 1992	Metropolitan Edison Company	Pennsylvania	Office of Consumer Advocate
(77)	92-049-05 September 1992	U S West Communications	Utah	Committee of Consumer Services
(78)	92PUE0037 September 1992	Commonwealth Gas	Virginia	Attorney General

	<u>Docket/Date</u>	<u>Utility</u>	<u>Jurisdiction</u>	<u>Client</u>
(79)	ER92-341-000 <u>et al.</u> December 1992	Entergy Services	FERC	Louisiana PSC
(80)	E-002/GR-92-1185 February 1993	Northern States Power Company	Minnesota	Attorney General
(81)	11,735 April 1993	Texas Utilities Electric Company	Texas	Federal Executive Agencies
(82)	2082 May 1993	Providence Gas Company	Rhode Island	Division of Public Utilities
(83)	P-00930715 December 1983	Bell Telephone Co. of Pennsylvania	Pennsylvania	Office of Consumer Advocate
(84)	R-00932670 February 1994	Pennsylvania-American Water Company	Pennsylvania	Office of Consumer Advocate
(85)	E-015/GR-94-001	Minnesota Power & Light Co.	Minnesota	Attorney General
(86)	CC Docket 94-1 May 1994	Generic	FCC	MCI Communications Corp.

STATEMENT OF VERIFICATION

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on May 9, 1994.

Elizabeth Dickerson

Elizabeth Dickerson
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Washington, DC 20006
(202) 887-3821

CERTIFICATE OF SERVICE

I, Gwen Montalvo, do hereby certify that copies of the foregoing MCI's Comments were sent via first class mail, postage paid, to the following on this 9th day of May 1994:

Richard Metzger**
Acting Chief, Common Carrier
Bureau
Federal Communications Commission
Room 500
1919 M Street, N.W.
Washington, DC 20554

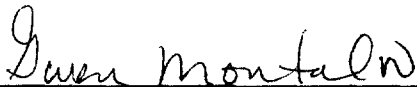
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